

the requirements of § 1.401(k)-1(c) and (d) as though the contributions were elective contributions, without regard to whether the contributions are actually taken into account under the ADP test under § 1.401(k)-2(a)(6) or the ACP test under § 1.401(m)-2(a)(6). Thus, the matching contributions must satisfy the vesting requirements of § 1.401(k)-1(c) and be subject to the distribution requirements of § 1.401(k)-1(d) when they are contributed to the plan. See also § 1.401(k)-2(b)(4)(iii) for a rule providing that a matching contribution does not fail to qualify as a QMAC solely because it is forfeitable under section 411(a)(3)(G) as a result of being a matching contribution with respect to an excess deferral, excess contribution, or excess aggregate contribution, or it is forfeitable under § 1.414(w)-1(d)(2).

*Qualified nonelective contributions (QNECs).* *Qualified nonelective contributions* or *QNECs* means employer contributions, other than elective contributions or matching contributions, that, except as provided otherwise in § 1.401(k)-1(c) and (d), satisfy the requirements of § 1.401(k)-1(c) and (d) as though the contributions were elective contributions, without regard to whether the contributions are actually taken into account under the ADP test under § 1.401(k)-2(a)(6) or the ACP test under § 1.401(m)-2(a)(6). Thus, the non-elective contributions must satisfy the vesting requirements of § 1.401(k)-1(c) and be subject to the distribution requirements of § 1.401(k)-1(d) when they are contributed to the plan.

*Rural cooperative plans.* *Rural cooperative plan* means a plan described in section 401(k)(7).

[T.D. 9169, 69 FR 78154, Dec. 29, 2004, as amended by T.D. 9237, 71 FR 10, Jan. 3, 2006; T.D. 9447, 74 FR 8210, Feb. 24, 2009]

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[T.D. 8359, 56 FR 47617, Sept. 19, 1991; 57 FR 10818, Mar. 31, 1992, as amended by T.D. 8486, 58 FR 46830, Sept. 3, 1993]

## **§ 1.401(l)-1 Permitted disparity in employer-provided contributions or benefits.**

(a) *Permitted disparity*—(1) *In general.* Section 401(a)(4) provides that a plan is a qualified plan only if the amount of contributions or benefits provided under the plan does not discriminate in favor of highly compensated employees. See § 1.401(a)(4)-1(b)(2). Section 401(a)(5)(C) provides that a plan does not discriminate in favor of highly compensated employees merely because of disparities in employer-provided contributions or benefits provided to, or on behalf of, employees under the plan that are permitted under section 401(l). Thus, if a plan satisfies section 401(l), permitted disparities in employer-provided contributions or benefits under a plan are disregarded, by reason of section 401(a)(5)(C), in determining whether the plan satisfies any of the safe harbors under §§ 1.401(a)(4)-2(b)(2) and 1.401(a)(4)-3(b). However, even if disparities in employer-provided contributions or benefits under a plan are permitted under section 401(l) and thus do not cause the plan to fail to satisfy § 1.401(a)(4)-1(b)(2), the plan may still fail to satisfy section 401(a)(4) for other reasons. Similarly, even if disparities in employer-provided contributions or benefits under a plan are not permitted under section 401(l) and thus may not be disregarded under section 401(a)(4) by reason of section 401(l), the plan may still be found to be nondiscriminatory under the tests of section 401(a)(4), including the rules for imputing permitted disparity under § 1.401(a)(4)-7.